



93RD GENERAL ASSEMBLY

State of Illinois

2003 and 2004

HB4289

Introduced 1/30/2004, by Raymond Poe

SYNOPSIS AS INTRODUCED:

40 ILCS 5/14-108.3
40 ILCS 5/16-133.3

from Ch. 108 1/2, par. 16-133.3

Amends the State Employee and Downstate Teacher Articles of the Illinois Pension Code. Provides an early retirement benefit program for certain persons who leave active service on or after January 1, 2003 and before January 1, 2005. Effective immediately.

LRB093 15010 LRD 40581 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

A BILL FOR

1 AN ACT in relation to public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Pension Code is amended by changing
5 Sections 14-108.3 and 16-133.3 as follows:

6 (40 ILCS 5/14-108.3)

7 Sec. 14-108.3. Early retirement incentives.

8 (a) To be eligible for the benefits provided in this
9 Section, a person must:

10 (1) be a member of this System who, on any day during
11 June, 2002, is (i) in active payroll status in a position
12 of employment with a department and an active contributor
13 to this System with respect to that employment, and
14 terminates that employment before the retirement annuity
15 under this Article begins, or (ii) on layoff status from
16 such a position with a right of re-employment or recall to
17 service, or (iii) receiving benefits under Section 14-123,
18 14-123.1 or 14-124, but only if the member has not been
19 receiving those benefits for a continuous period of more
20 than 2 years as of the date of application;

21 (2) not have received any retirement annuity under this
22 Article beginning earlier than August 1, 2002;

23 (3) file with the Board on or before December 31, 2004
24 ~~2002~~ a written application requesting the benefits
25 provided in this Section;

26 (4) terminate employment under this Article no later
27 than December 31, 2004 ~~2002~~ (or the date established under
28 subsection (d), if applicable);

29 (5) by the date of termination of service, have at
30 least 8 years of creditable service under this Article,
31 without the use of any creditable service established under
32 this Section;

1 (6) by the date of termination of service, have at
2 least 5 years of membership service earned while an
3 employee under this Article, which may include military
4 service for which credit is established under Section
5 14-105(b), service during the qualifying period for which
6 credit is established under Section 14-104(a), and service
7 for which credit has been established by repaying a refund
8 under Section 14-130, but shall not include service for
9 which any other optional service credit has been
10 established; and

11 (7) not receive any early retirement benefit under
12 Section 16-133.3 of this Code, unless he or she forfeited
13 that benefit as a result of reentering contributing Service
14 under this Article or Article 16.

15 (b) An eligible person may establish up to 5 years of
16 creditable service under this Article, in increments of one
17 month, by making the contributions specified in subsection (c).
18 In addition, for each month of creditable service established
19 under this Section, a person's age at retirement shall be
20 deemed to be one month older than it actually is.

21 The creditable service established under this Section may
22 be used for all purposes under this Article and the Retirement
23 Systems Reciprocal Act, except for the computation of final
24 average compensation under Section 14-103.12 or the
25 determination of compensation under this or any other Article
26 of this Code.

27 The age enhancement established under this Section may not
28 be used to enable any person to begin receiving a retirement
29 annuity calculated under Section 14-110 before actually
30 attaining age 50 (without any age enhancement under this
31 Section). The age enhancement established under this Section
32 may be used for all other purposes under this Article
33 (including calculation of a proportionate annuity payable by
34 this System under the Retirement Systems Reciprocal Act),
35 except for purposes of the level income option in Section
36 14-112, the reversionary annuity under Section 14-113, and the

1 required distributions under Section 14-121.1.

2 The age enhancement established under this Section may be
3 used in determining benefits payable under Article 16 of this
4 Code under the Retirement Systems Reciprocal Act, if the person
5 has at least 5 years of service credit in the Article 16 system
6 that was earned while participating in that system as a teacher
7 (as defined in Section 16-106) employed by a department (as
8 defined in Section 14-103.04). Age enhancement established
9 under this Section shall not otherwise be used in determining
10 benefits payable under other Articles of this Code under the
11 Retirement Systems Reciprocal Act.

12 (c) For all creditable service established under this
13 Section, a person must pay to the System an employee
14 contribution to be determined by the System, based on the
15 member's rate of compensation on June 1, 2002 (or the last date
16 before June 1, 2002 for which a rate can be determined) and the
17 retirement contribution rate in effect on June 1, 2002 for the
18 member (or for members with the same social security and
19 alternative formula status as the member).

20 If the member receives a lump sum payment for accumulated
21 vacation, sick leave and personal leave upon withdrawal from
22 service, and the net amount of that lump sum payment is at
23 least as great as the amount of the contribution required under
24 this Section, the entire contribution must be paid by the
25 employee by payroll deduction. If there is no such lump sum
26 payment, or if it is less than the contribution required under
27 this Section, the member shall make an initial payment by
28 payroll deduction, equal to the net amount of the lump sum
29 payment for accumulated vacation, sick leave, and personal
30 leave, and have the remaining amount due treated as a reduction
31 from the retirement annuity in 24 equal monthly installments
32 beginning in the month in which the retirement annuity takes
33 effect. The required contribution may be paid as a pre-tax
34 deduction from earnings. For federal and Illinois tax purposes,
35 the monthly amount by which the annuitant's benefit is reduced
36 shall not be treated as a contribution by the annuitant, but

1 rather as a reduction of the annuitant's monthly benefit.

2 (c-5) The reduction in retirement annuity provided in
3 subsection (c) of Section 14-108 does not apply to the annuity
4 of a person who retires under this Section. A person who has
5 received any age enhancement or creditable service under this
6 Section may begin to receive an unreduced retirement annuity
7 upon attainment of age 55 with at least 25 years of creditable
8 service (including any age enhancement and creditable service
9 established under this Section).

10 (d) In order to ensure that the efficient operation of
11 State government is not jeopardized by the simultaneous
12 retirement of large numbers of key personnel, the director or
13 other head of a department may, for key employees of that
14 department, extend the December 31, 2002 deadline for
15 terminating employment under this Article established in
16 subdivision (a)(4) of this Section to a date not later than
17 April 30, 2003 by so notifying the System in writing by
18 December 31, 2002.

19 (e) Notwithstanding Section 14-111, a person who has
20 received any age enhancement or creditable service under this
21 Section and who reenters service under this Article (or as an
22 employee of a department under Article 16) other than as a
23 temporary employee thereby forfeits that age enhancement and
24 creditable service and is entitled to a refund of the
25 contributions made pursuant to this Section.

26 (f) The System shall determine the amount of the increase
27 in unfunded accrued liability resulting from the granting of
28 early retirement incentives under this Section and shall report
29 that amount to the Governor and the Pension Laws Commission (or
30 its successor, the Economic and Fiscal Commission) on or before
31 November 15, 2003. The increase in liability reported under
32 this subsection (f) shall not be included in the calculation of
33 the required State contribution under Section 14-131.

34 (g) The System shall determine the amount of the annual
35 State contribution necessary to amortize on a level
36 dollar-payment basis, over a period of 10 years at 8.5%

1 interest, compounded annually, an amount equal to the increase
2 in unfunded accrued liability determined under subsection (f)
3 minus \$70,000,000. The System shall certify the amount of this
4 annual State contribution to the Governor, the State
5 Comptroller, the Governor's Office of Management and Budget
6 (formerly Bureau of the Budget), and the Pension Laws
7 Commission (or its successor, the Economic and Fiscal
8 Commission) on or before November 15, 2003.

9 In addition to the contributions otherwise required under
10 this Article, the State shall appropriate and pay to the System
11 (1) an amount equal to \$70,000,000 in State fiscal year 2004
12 and (2) in each of State fiscal years 2005 through 2013, an
13 amount equal to the annual State contribution certified by the
14 System under this subsection (g).

15 (h) The Pension Laws Commission (or its successor, the
16 Economic and Fiscal Commission) shall determine and report to
17 the General Assembly, on or before January 1, 2004 and annually
18 thereafter through the year 2013, its estimate of (1) the
19 annual amount of payroll savings likely to be realized by the
20 State as a result of the early retirement of persons receiving
21 early retirement incentives under this Section and (2) the net
22 annual savings or cost to the State from the program of early
23 retirement incentives created under this Section.

24 The System, the Department of Central Management Services,
25 the Governor's Office of Management and Budget (formerly Bureau
26 of the Budget), and all other departments shall provide to the
27 Commission any assistance that the Commission may request with
28 respect to its reports under this Section. The Commission may
29 require departments to provide it with any information that it
30 deems necessary or useful with respect to its reports under
31 this Section, including without limitation information about
32 (1) the final earnings of former department employees who
33 elected to receive benefits under this Section, (2) the
34 earnings of current department employees holding the positions
35 vacated by persons who elected to receive benefits under this
36 Section, and (3) positions vacated by persons who elected to

1 receive benefits under this Section that have not yet been
2 refilled.

3 (i) The changes made to this Section by this amendatory Act
4 of the 92nd General Assembly do not apply to persons who
5 retired under this Section on or before May 1, 1992.

6 (Source: P.A. 92-566, eff. 6-25-02; 93-632, eff. 2-1-04.)

7 (40 ILCS 5/16-133.3) (from Ch. 108 1/2, par. 16-133.3)

8 Sec. 16-133.3. Early retirement incentives for State
9 employees.

10 (a) To be eligible for the benefits provided in this
11 Section, a person must:

12 (1) be a member of this System who, on any day during
13 June, 2002, is (i) in active payroll status as a full-time
14 teacher employed by a department and an active contributor
15 to this System with respect to that employment, or (ii) on
16 layoff status from such a position with a right of
17 re-employment or recall to service, or (iii) receiving a
18 disability benefit under Section 16-149 or 16-149.1, but
19 only if the member has not been receiving that benefit for
20 a continuous period of more than 2 years as of the date of
21 application;

22 (2) not have received any retirement annuity under this
23 Article beginning earlier than August 1, 2002;

24 (3) file with the Board on or before December 31, 2004
25 ~~2002~~ a written application requesting the benefits
26 provided in this Section;

27 (4) terminate employment under this Article no later
28 than December 31, 2004 ~~2002~~ (or the date established under
29 subsection (d), if applicable);

30 (5) by the date of termination of service, have at
31 least 8 years of creditable service under this Article,
32 without the use of any creditable service established under
33 this Section;

34 (6) by the date of termination of service, have at
35 least 5 years of service credit earned while participating

1 in the System as a teacher employed by a department; and

2 (7) not receive any early retirement benefit under
3 Section 14-108.3 of this Code.

4 For the purposes of this Section, "department" means a
5 department as defined in Section 14-103.04 that employs a
6 teacher as defined in this Article.

7 (b) An eligible person may establish up to 5 years of
8 creditable service under this Article by making the
9 contributions specified in subsection (c). In addition, for
10 each period of creditable service established under this
11 Section, a person's age at retirement shall be deemed to be
12 enhanced by an equivalent period.

13 The creditable service established under this Section may
14 be used for all purposes under this Article and the Retirement
15 Systems Reciprocal Act, except for the computation of final
16 average salary, the determination of salary or compensation
17 under this Article or any other Article of this Code, or the
18 determination of eligibility for or the computation of benefits
19 under Section 16-133.2.

20 The age enhancement established under this Section may be
21 used for all purposes under this Article (including calculation
22 of a proportionate annuity payable by this System under the
23 Retirement Systems Reciprocal Act), except for purposes of a
24 retirement annuity under Section 16-133(a)(A), a reversionary
25 annuity under Section 16-136, the required distributions under
26 Section 16-142.3, and the determination of eligibility for or
27 the computation of benefits under Section 16-133.2. Age
28 enhancement established under this Section may be used in
29 determining benefits payable under Article 14 of this Code
30 under the Retirement Systems Reciprocal Act (subject to the
31 limitations on the use of age enhancement provided in Section
32 14-108.3); age enhancement established under this Section
33 shall not be used in determining benefits payable under other
34 Articles of this Code under the Retirement Systems Reciprocal
35 Act.

36 (c) For all creditable service established under this

1 Section, a person must pay to the System an employee
2 contribution to be determined by the System, equal to 9.0% of
3 the member's highest annual salary rate that would be used in
4 the determination of the average salary for retirement annuity
5 purposes if the member retired immediately after withdrawal,
6 for each year of creditable service established under this
7 Section.

8 If the member receives a lump sum payment for accumulated
9 vacation, sick leave, and personal leave upon withdrawal from
10 service, and the net amount of that lump sum payment is at
11 least as great as the amount of the contribution required under
12 this Section, the entire contribution must be paid by the
13 employee by payroll deduction. If there is no such lump sum
14 payment, or if it is less than the contribution required under
15 this Section, the member shall make an initial payment by
16 payroll deduction, equal to the net amount of the lump sum
17 payment for accumulated vacation, sick leave, and personal
18 leave, and have the remaining amount due treated as a reduction
19 from the retirement annuity in 24 equal monthly installments
20 beginning in the month in which the retirement annuity takes
21 effect. The required contribution may be paid as a pre-tax
22 deduction from earnings.

23 (d) In order to ensure that the efficient operation of
24 State government is not jeopardized by the simultaneous
25 retirement of large numbers of key personnel, the director or
26 other head of a department may, for key employees of that
27 department, extend the December 31, 2002 deadline for
28 terminating employment under this Article established in
29 subdivision (a)(4) of this Section to a date not later than
30 April 30, 2003 by so notifying the System in writing by
31 December 31, 2002.

32 (e) A person who has received any age enhancement or
33 creditable service under this Section and who reenters
34 contributing service under this Article or Article 14 shall
35 thereby forfeit that age enhancement and creditable service,
36 and become entitled to a refund of the contributions made

1 pursuant to this Section.

2 (f) The System shall determine the amount of the increase
3 in unfunded accrued liability resulting from the granting of
4 early retirement incentives under this Section and shall report
5 that amount to the Governor and the Pension Laws Commission (or
6 its successor, the Economic and Fiscal Commission) on or before
7 November 15, 2003. The increase in liability reported under
8 this subsection (f) shall not be included in the calculation of
9 the required State contribution under Section 16-158.

10 (g) The System shall determine the amount of the annual
11 State contribution necessary to amortize on a level
12 dollar-payment basis, over a period of 10 years at 8.5%
13 interest, compounded annually, an amount equal to the increase
14 in unfunded accrued liability determined under subsection (f)
15 minus \$1,000,000. The System shall certify the amount of this
16 annual State contribution to the Governor, the State
17 Comptroller, the Governor's Office of Management and Budget
18 (formerly Bureau of the Budget), and the Pension Laws
19 Commission (or its successor, the Economic and Fiscal
20 Commission) on or before November 15, 2003.

21 In addition to the contributions otherwise required under
22 this Article, the State shall appropriate and pay to the System
23 (1) an amount equal to \$1,000,000 in State fiscal year 2004 and
24 (2) in each of State fiscal years 2005 through 2013, an amount
25 equal to the annual State contribution certified by the System
26 under this subsection (g).

27 (h) The Pension Laws Commission (or its successor, the
28 Economic and Fiscal Commission) shall determine and report to
29 the General Assembly, on or before January 1, 2004 and annually
30 thereafter through the year 2013, its estimate of (1) the
31 annual amount of payroll savings likely to be realized by the
32 State as a result of the early retirement of persons receiving
33 early retirement incentives under this Section and (2) the net
34 annual savings or cost to the State from the program of early
35 retirement incentives created under this Section.

36 The System, the Department of Central Management Services,

1 the Governor's Office of Management and Budget (formerly Bureau
2 of the Budget), and all other departments shall provide to the
3 Commission any assistance that the Commission may request with
4 respect to its reports under this Section. The Commission may
5 require departments to provide it with any information that it
6 deems necessary or useful with respect to its reports under
7 this Section, including without limitation information about
8 (1) the final earnings of former department employees who
9 elected to receive benefits under this Section, (2) the
10 earnings of current department employees holding the positions
11 vacated by persons who elected to receive benefits under this
12 Section, and (3) positions vacated by persons who elected to
13 receive benefits under this Section that have not yet been
14 refilled.

15 (i) The changes made to this Section by this amendatory Act
16 of the 92nd General Assembly do not apply to persons who
17 retired under this Section on or before May 1, 1992.

18 (Source: P.A. 92-566, eff. 6-25-02; 93-632, eff. 2-1-04.)

19 Section 99. Effective date. This Act takes effect upon
20 becoming law.